

HARRP NOTES

Housing Authorities Risk Retention Pool
7111 NE 179th Street
Vancouver, Washington 98686
(360) 574-9035 • (360) 574-9401 FAX
Website: www.harrp.com

PLEASE ROUTE:

____ Executive Director
____ Accounting / Finance
____ Maintenance
____ Property Management
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____ Other

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Affordable Housing Risk Pool (AHRP)

As you know, the Board of Directors have been diligently exploring ways to provide stable, cost effective coverage for our members tax credit partnerships and non-profits engaged in providing affordable housing. This process has been years in the making and quickly coming to realization.

In 2009, HARRP successfully lobbied for legislative changes permitting multi-State pooling for entities, other than governmental, affiliated with providing affordable housing. The legislative process proved successful in Washington and Oregon. Currently, HARRP is underway in California, having recently passed to proposed bill through various Assembly committees.

October 1, 2010 is the slated launch of the Affordable Housing Risk Pool, or AHRP (A-HARRP). HARRP staff is finalizing numerous details for presentation to the HARRP Board of Directors during a planning and action retreat in Vancouver on June 10 and 11, 2010. The details include, but are not limited to:

1. Appointment of AHRP Directors:

Five to seven members from current HARRP Board of Directors

Two members representing policy purchasers

Two members with no affiliation with HARRP, AHRP or policy purchasers

2. Approval of LLC Formation:

Limited Liability Corporation, established under Oregon for maximum flexibility

3. Approval of AHRP Coverage Agreement:

4. Approval of AHRP Board Meetings:

First meeting will be to ratify HARRP Board actions of June 10 and 11, 2010. The frequency of AHRP meetings TBD, quarterly to begin with.

5. Approval of Reinsurance:

This is the major portion of this process to be dealt with. The reinsurance treaties are necessary to provide the AM Best rating and to fulfill particular State requirements. The reinsurance is the largest cost factor and most volatile piece affecting AHRP's launch.

6. Approval of Underwriting Standards:

Underwriting criteria will be enhanced to cover more than just bricks and sticks data. The proposed underwriting standards will accumulate a variety of information on financial strength of the entity, revenues and public opinion.

7. Approval of the Self Insured Retention (SIR) level:

This is the level of risk AHRP will retain before ceding to reinsurance. It is anticipated that the SIR will be \$300,000 per loss, with reinsurance up to \$2M with the ability for higher limits.

8. Approval of Dividend Disbursement:

This reflects the capitalization requirements to fund AHRP. This amount will be between \$3.5 and \$5 million, and reflects surplus currently in the HARRP program. All current HARRP members will be owners of AHRP.

The staff of HARRP is developing a packet of information that will address all of the parameters of AHRP, its governance down to the banking accounts necessary to administer AHRP. This packet will be modified at the June Board of Directors' meeting and distributed shortly after the meeting. It is our intent to keep this packet concise and as diminutive as possible.

Pursuant to the Intergovernmental Cooperation Agreement approved in January 2010, the vote to launch AHRP is predicated on the last details being finalized and the member executive director having authority to execute a "go/no-go" vote. Several members have expressed their discomfort with this level of authority without their Board's involvement. With that in mind, the HARRP Board of Directors is allowing just shy of three (3) months to allow adequate time for members to discuss this proposal with their respective Boards, if they elect to do so.

The "go/no-go" vote for the launch of AHRP will require a simple majority. There are currently 88 members in the pool as of this writing. HARRP has set September 10, 2010 for the conclusion of the voting process.

There is much to do between now and the next Board of Directors meeting in June. It is a known fact that this proposal is complicated and difficult to present to the membership, based on the complexities and the pieces of the puzzle continually fluctuating. Our goal is, and always has been, to provide products that our membership needs and requests. AHRP, if successful, will fill a huge void that many of you have been experiencing for years. AHRP is out of the norm for the HARRP staff and legislative bodies, but please be assured that we are dedicated to providing our members alternatives to commercial insurance.

We welcome your inquiries, concerns and suggestions as HARRP enters the home stretch. Please feel free to call, write, e-mail or fax any comments to the HARRP office!



WELCOME NEW HARRP BOARD OF DIRECTORS MEMBER

The Oregon Housing Association recently elected Elise Hui from the Housing Authority of Yamhill County to represent Oregon on the HARRP Board of Directors.

We would like to extend our thanks to Elise for volunteering to represent Oregon on the Board and look forward to many years of Elise's expertise in affordable housing pool operations!

COVERAGE AGREEMENT CHANGES

There were several changes to the Coverage Agreement approved by the Board of Directors last month. The changes include the following:

- Limiting coverage for water damage resulting from vacant units
- Clarifying physical damage coverage for hired auto
- Removal of contingent loss coverage with the boiler & machinery policy
- Removal of conflicting language dealing with course of construction coverage
- Clarifying language on which coverage would be terminated if personnel policy review was not performed (EPL vs. the entire line of E&O)

The changes would not be effective until January 1, 2011. If you have any questions, please feel free to contact the HARRP office.